

March 29, 2002

Honorable Mayor and City Council
City of North Miami, Florida

The Comprehensive Annual Financial Report of the City of North Miami, Florida, for the fiscal year ended September 30, 2001 as required by Chapter 11.45 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 23 of the Charter of the City of North Miami is submitted for your review.

The City's Finance Department is responsible for the content of this financial report. We believe this report represents a fair presentation of the City's financial position and the result of operations as measured by the financial activities of its various funds and account groups, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. This financial report was prepared in accordance with generally accepted accounting principles applicable to local governments as promulgated by the Governmental Accounting Standards Board.

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical and compliance. The introductory section contains the names of principal officials of the City, the organizational structure, the Certificate of Achievement for Excellence in Financial Reporting and highlighted financial information as contained within this letter. The financial section contains the report of the independent certified public accountants, the general purpose financial statements, and the combining, individual fund and account group statements and schedules. The statistical section contains multi-year data that is intended to reflect social, economic and financial trends, as well as the fiscal capacity of the City. It is hoped that this information will give users of this report a better historical perspective and assist in assessing the current financial status. The fourth section contains the required auditor's reports, including the report on internal control and compliance and the single audit reporting in accordance with OMB Circular A-133 submitted by our auditors, Rachlin Cohen & Holtz LLP.

THE REPORTING ENTITY AND ITS SERVICES

The City of North Miami was incorporated in 1926 and is a political subdivision of the State of Florida. The City operates under a council-manager form of government and provides general government, public safety, public works, sanitation, library, recreation and cultural event services to 59,880 residents. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities. The Council is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is responsible for the daily operations of the City and also for implementing policies adopted by the City Council.

The financial reporting entity (the City) includes all the funds and account groups of the primary government (i.e., the City of North Miami as legally defined), as well as all of its component units. Component units are legally separate entities for which the City of North Miami is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion

would cause the City's financial statements to be misleading or incomplete.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Museum of Contemporary Art, Inc. (MoCA) (a not-for-profit corporation) is reported as a discretely presented component unit. The North Miami Health Facilities Authority is also a component unit of the City, however, because there are no assets, liabilities or results of operations to report; disclosure is made only in the footnotes.

MAJOR INITIATIVES

ECONOMIC DEVELOPMENT

The City of North Miami's primary focus related to economic growth is the redevelopment of existing commercial property and the enhancement of residential values through neighborhood revitalization.

North Miami's ideal location between Fort Lauderdale and Miami and easy access to major transportation corridors, combined with a stable government responsive to the needs of the citizenry and business community, all make North Miami a desirable place in which to live and work.

The City has recently embarked on an active economic development program, which includes the following initiatives:

- The City of North Miami, Miami-Dade County and the property owners of the 800 block (north) launched a major facade rehabilitation program in the heart of downtown, which represents a real turning point in the area's revival. Renovation of the 800 block is complete and construction is expected to be completed on the 700 block by Spring 2002. The City has submitted an application to Miami-Dade County for funding of facade improvements for the 600 block. An architect has been hired and design alternatives for that phase are underway.
- The City, through its Business Development Board, and in partnership with the Chamber of Commerce, local business groups and civic organizations is sponsoring a year-long award-winning Music Series consisting of over 30 concerts. The events are free to the public and designed to promote the Downtown as a cultural hub as well as promote local businesses. City residents and visitors are invited to enjoy a variety of musical styles, taste dishes from local restaurants, and visit the City-operated Museum of Contemporary Art.
- The City will soon start to explore design alternatives for NE 125th Street, to make downtown's main street more inviting to pedestrians and shoppers.
Together the above initiatives will help to strengthen a "Main Street" environment and enhance cultural development and economic revitalization of the downtown area.
- As part of the NE 6 Avenue Charette, a comprehensive master plan was designed for revitalization and redevelopment of the NE 6 Avenue corridor. This master plan, developed with active community participation, addresses transit oriented development as well as economic redevelopment of the area.
- The City recently was awarded a grant from the Economic Development Administration of the U.S. Department of Commerce to develop a Comprehensive Economic Development Plan to provide insight into the factors influencing North Miami's economy and to outline a program for future action. The plan addresses problems facing local businesses with regard to competitiveness, and identifies opportunities for development and improvement of current conditions impacting local businesses.

Being an entitlement City with metropolitan status, North Miami receives economic benefits that attach to such a designation. The City is a recipient of Community Development Block Grant (CDBG) funding through the U.S. Department of Housing and Urban Development, which has been used to fund a variety of exciting and needed projects ranging from "wet-tot-lots" for young children, to commercial redevelopment, and housing programs. The City is also a recipient of S.H.I.P. (State Housing Initiatives Partnership) funding, which is used for housing rehabilitation and first-time home ownership activities.

PARKS & RECREATION

The North Miami Parks and Recreation Department has been widely recognized for achievements and advancements made in providing leisure opportunities that appeal to the entire community. In 2000, a new community center was dedicated at the former site of the old police station offering expanded community recreational programs and activities for all North Miami residents. Recently, the City of North Miami was honored by the National Alliance for Youth Sports (NAYS) with its Excellence in Youth Sports Award. Out of thousands of youth recreational programs nationwide, the City was one of only five recipients of this prestigious award.

The Recreation Division offers a diversified program, which includes athletics, aquatics, special programs and classes, ceramics, gymnastics, tennis, senior activities, seasonal and holiday programs, a grand Independence Day Celebration, and the annual Winternational Thanksgiving Day Parade.

The Recreation Division also supports numerous community events, including the Winternational Festival, the Miss North Miami Scholarship Pageant, Veteran's and Memorial Day services, the Senior Showcase, the North Miami Community Concert Band, numerous flea markets and other community organization events.

The Parks Division is responsible for the maintenance and upkeep of all city parks and facilities, as well as the beautification and landscaping of all City parks, properties, medians and cul-de-sacs. An extensive annual urban tree-planting program has resulted in the planting of over 18,000 trees on City streets and avenues. The City of North Miami has been designated for many years as one of America's "Tree Cities", has won the Tree City Growth Award numerous times and was previously the Florida Tree City of the Year. The Enchanted Forest Elaine Gordon Park, a 22-acre natural hammock facility, offers a full-time environmental program under the supervision of a Park Naturalist.

LIBRARY SERVICES

Walk through Constitution Plaza with its seals of the thirteen original colonies and its personalized signature tiles and enter the educational, informational, recreational, and cultural atmosphere of the North Miami Public Library. The North Miami Public Library provides traditional materials in the form of approximately 95,000 volumes, 300 magazine and newspaper subscriptions, 2,400 videocassettes, 1,500 books-on-tape and audiocassettes. New media offerings include books-on-CD, DVDs and children's reading kits with read-along cassettes. Internet access is available for the public, as are computers with software for producing letters, reports, resumes, etc. Basic training in using computers and the Internet is also offered. Adult services include Income Tax Assistance, Outreach to Nursing Homes, ACLFs and Senior Centers, Literacy tutoring, Books-by-Mail for the homebound, exhibitions by local artists, etc. Children enjoy story times, films, and puppet shows. Term paper counseling, subject bibliographies, community service opportunities, and school visits are offered for students. North Miami residents may avail themselves of all these services and collections at no charge.

OTHER

As discussed in Note 16 to the general purpose financial statements, although no final resolution has been reached with respect to the Interama land tract (dumpsite), great progress has been made. In September 1997, the EPA's record of decision was amended to indicate that no further remedial action was required by the City. The EPA issued a certificate of completion on June 3, 1998. On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance. During 1999, the Consent Decree with EPA was dismissed and the site removed from the National Priorities List. Pursuant to an updated cost projection, completed in 1999, the City continues to estimate its liability toward final closure of the Interama land tract at approximately \$11.7 million. This liability is disclosed in the General Long-Term Debt Account Group.

The City anticipates, however, that the balance of the liability will be funded by sources of revenue outside the City. The City has entered into a grant agreement with Miami-Dade County, Florida for a twenty-year term in which the County has agreed to provide an annual grant not to exceed \$1,000,000 which commenced on October 1, 1996 and thereafter each year during the term of the agreement. In August 2000, the City issued a promissory note (the Note) in the principal amount of not to exceed \$9.5 million to finance the cost of environmental remediation at and closure of the Munisport landfill site. As of September 30, 2001, the City has received, pursuant to the Note, the sum of \$2 million. Grant funds received from Miami-Dade County will be utilized solely to pay the cost of the remedial action and the final closure of the Munisport site, including principal and interest on the Note.

In March 2001, the City retained an independent real estate and appraisal firm to provide a market and valuation analysis of the property based upon a best use of the site. In April 2001, the City Council authorized the issuance of a solicitation for the development of the Munisport Landfill site. The solicitation contemplates the selection of a master developer for the site with the City receiving income from an annual ground lease payment and tax income from the value of the leasehold interest of the site. It is anticipated that a development agreement could be finalized by December 2002.

ACCOUNTING AND BUDGETARY CONTROLS

The City maintains extensive budgetary control to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general, special revenue, debt service, capital projects, enterprise, internal service, and the trust funds are included in the annual appropriated budget.

Control of the annual budget, adopted by the City Council, is maintained by a constant review by the Finance Director, Budget Administrator and City Manager with monthly financial reports being prepared for internal use at the departmental level. If needed, the budget can be amended in accordance with provisions of the City Charter during the fiscal year.

City Management is responsible for establishing and maintaining a system of internal control designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The system of internal control has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgment by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

GENERAL GOVERNMENT

The General Fund is the general operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs, not paid through other funds, are paid from this fund.

Revenues of the General Fund amounted to \$29,776,287 during fiscal year 2001, an increase of 6.3% from the previous fiscal year. Tax revenues are a combination of ad valorem property taxes, sales and use taxes, utility service taxes and franchise fees. Property taxes produced approximately 35.3% of the General Fund revenues during the year compared to 34.8% for the previous year.

The amount of General Fund revenues from various sources, fund expenditures, and the increases and decreases over the previous year are shown in the following tabulation. In fiscal year 2001, charges for services increased 21% attributable to expanded recreational programs being offered at the new community center and an increase in internal charges for services provided by the General Fund to the Enterprise Funds. Revenue generated from fines and forfeitures increased 14.5% due to increased collection of code enforcement/special master fines. General Fund revenues classified as "other" decreased 8% from the previous year due to miscellaneous non-recurring revenue sources received in 2000 and lower interest rates in fiscal year 2001.

	<u>2001</u>		<u>2000</u>		Increase (Decrease) over 2000	
	<u>Amount</u>	<u>Percent of Total Revenues</u>	<u>Amount</u>	<u>Percent of Total Revenues</u>	<u>Amount</u>	<u>Percent</u>
Revenues:						
Taxes	\$18,190,687	61.1%	\$16,899,021	60.3%	\$1,291,666	7.6%
Licenses and permits	829,921	2.8	851,649	3.0	(21,728)	(2.6)
Intergovernmental	4,971,988	16.7	5,302,955	19.0	(330,967)	(6.2)
Charges for services	4,811,068	16.2	3,976,552	14.2	834,516	21.0
Fines and forfeitures	321,897	1.0	281,213	1.0	40,684	14.5
Other (including interest)	650,726	2.2	707,187	2.5	(56,461)	(8.0)
	<u>\$29,776,287</u>	<u>100.0%</u>	<u>\$28,018,577</u>	<u>100.0%</u>	<u>\$1,757,710</u>	<u>6.3%</u>

The General Fund operating tax levy for fiscal year 2001 was \$8.350 per \$1,000 of assessed value as compared to \$7.930 per \$1,000 of assessed value for fiscal year 2000.

Operating expenditures for the General Fund amounted to \$30,142,543 an increase of 6.4% over the preceding year. The expenditures for the major functions of the City are shown in the following tabulation:

	<u>2001</u>		<u>2000</u>		Increase/(Decrease) Over 2000	
	<u>Amount</u>	<u>Percent of Total Expenditures</u>	<u>Amount</u>	<u>Percent of Total Expenditures</u>	<u>Amount</u>	<u>Percent</u>
Expenditures:						
General government	\$ 9,758,489	32.4%	\$ 8,233,240	29.0%	\$1,525,249	18.5%
Public works	1,806,330	6.0	1,576,789	5.6	229,541	14.5
Public safety	10,426,464	34.6	10,392,840	36.7	33,624	.3
Culture/recreation	5,512,454	18.3	4,988,702	17.6	523,752	10.5
Community planning and development	1,542,807	5.1	1,583,261	5.6	(40,454)	(2.6)
Capital outlay	752,185	2.5	1,262,871	4.4	(510,686)	(40.4)
Grants/aid	343,814	1.1	303,581	1.1	40,233	13.3
	<u>\$30,142,543</u>	<u>100.0%</u>	<u>\$28,341,284</u>	<u>100.0%</u>	<u>\$1,801,259</u>	<u>6.4%</u>

The most significant increase was in general government expenditures. General government expenditures increased \$1,525,249 primarily as a result of increased costs for employee group health and general liability insurance and increased employee benefit expense for accumulated vacation and sick leave payouts. In 2001, the City recognized intergovernmental revenues and non-departmental expenditures in the amount of \$173,329 as on-behalf payments for contributions into the City of North Miami Police Officers' Retirement Pension Fund Share Plan for state insurance premium tax monies.

The result of General Fund operations in 2001 generated, on a budgetary basis, a favorable variance of \$2,104,491 over the 2001 budgeted fund balance appropriation of \$2,458,994. This variance is attributable primarily to capital projects that were budgeted but not completed during fiscal year 2001. The GAAP basis unreserved fund balance in the General Fund at September 30, 2001, totaled \$2,981,914.

In addition to the General Fund operations, the City accounts for certain other government operations within its special revenue funds. These operations are funded by revenue sources restricted to such use. The Landfill Closure Fund accounts for completion of the design and implementation of the plan to properly close the Munisport site. During 2001, \$240,904 in closure-related costs was capitalized. The Community Development Block Grant Fund accounts for direct entitlements from the federal government.

The funds are used to provide decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income; the CDBG entitlement for 2001 was \$1,105,000. The Local Housing Assistance Fund (SHIP) was established to account for state entitlement funds to be used for the creation of local housing partnerships to provide affordable housing throughout the City; the entitlement for 2001 was \$351,048. The Business Assistance Loan Fund was created to account for CDBG funds provided for the retention and expansion of business and industry in the City, and for the retention of permanent private sector job opportunities. The funds for the loans are provided from the City's CDBG entitlement. In 2001, the Athletic Stadium Fund was created to account for expenditures relating to the buyout of the existing North Miami Athletic Stadium lease, however, no activity was generated in this fund during the year.

In 2001, the City's capital project funds expended \$278,735 for capital outlays. Capital projects in progress during 2001 included several parks and recreation capital improvement projects funded through general obligation bonds issued by Miami-Dade County, and transportation related capital improvements funded through the City's share of the imposed local gas tax.

ENTERPRISE FUND OPERATIONS

The City's enterprise operations are comprised of three separate activities: the Water and Sewer Utility, the Solid Waste Services and the Stormwater Utility. Management believes that accounting for such operations as enterprise funds will provide more accountability and management control.

The City's Water and Sewer Utility, which operates independently from the county-wide Miami-Dade Water and Sewer Department, services all areas within the City limits and certain districts outside the City limits. Solid Waste Services provide sanitation, recycling, and animal control services to City residents. The Stormwater Utility was established to maintain and make improvements to the City's stormwater system and to reduce pollutants from stormwater runoff.

Results for the combined enterprise operations were as follows:

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Metered water sales	\$ 5,257,973	\$ 5,543,796
Sanitary sewer services	1,457,927	1,490,637
Sewage treatment charges	7,580,406	7,947,403
Solid waste services	4,455,651	4,674,009
Stormwater charges	890,762	878,531
Other charges for services	<u>1,288,246</u>	<u>1,530,719</u>
Total operating revenues	20,930,965	22,065,095
Operating expenses	(21,021,894)	(20,432,007)
Depreciation expense	<u>(1,158,644)</u>	<u>(1,052,031)</u>
Operating income (loss)	(1,249,573)	581,057
Non-operating income (expense):		
Operating grants	453,217	296,087
Interest income	506,878	595,135
Interest expense and fiscal charges	(228,060)	(245,448)
Other	<u>98,878</u>	<u>145,978</u>
Net income (loss) before contributions and transfers	<u>\$ (418,660)</u>	<u>\$ 1,372,809</u>

Net income (loss) before contributions and transfers for each enterprise fund is as follows:

	<u>2001</u>	<u>2000</u>
Water and Sewer Utility	\$ 52,035	\$1,696,091
Solid Waste Services	(417,044)	(93,312)
Stormwater Utility	<u>(53,651)</u>	<u>(229,970)</u>
Total	<u><u>\$(418,660)</u></u>	<u><u>\$1,372,809</u></u>

In 2001, operating revenues for water and sewer services decreased primarily as a result of mandatory water restrictions imposed by South Florida Water Management District. As water consumption decreased, there was a corresponding decrease in sanitary sewer revenue, sewer treatment fees, and outside City water & sewer surcharge revenue, which are all billed based on water consumption. In 2001, capital improvement projects included upgrades to both the water distribution and sewer collection systems. Projects included replacement of distribution and service lines, as well as upgrades to the City's lift stations. Efforts continue to reduce groundwater infiltration into the sewer system with the continuation of an ongoing sewer-lining project. During 2001, the City was awarded a grant from the Department of Environmental Protection to further infiltration reduction efforts.

The Water and Sewer revenues are pledged for debt service payments on the Series 1963, 1964 and 1965 Water and Sewer Revenue Refunding and Improvement Bonds of which \$5,355,000 is outstanding at September 30, 2001. The Water and Sewer Enterprise Fund's restricted assets at the end of 2001 included approximately \$4,372,809 held in various reserve accounts for debt service on the Water and Sewer bonds.

In 2001, waste collection franchise fees for private haulers increased and certain operating costs were reduced by realigning sanitation routes and replacing the City's curbside recycling program with a district-based recycling drop-off program. However, increased costs for disposal fees, insurance, and internal charges for services offset these measures intended to help reduce the deficit in this fund. In 2002, the residential curbside recycling program was reestablished and recycling and sanitation fees increased while efforts continue to keep operating costs down. These measures are expected to help reduce the deficit in this fund.

In fiscal year 1998, the Stormwater Utility became independent of Miami-Dade County. The Utility, when established, was instituted as a district of the Miami-Dade County Stormwater Utility. Due to liability concerns and related conflicts, the County requested that the Utility be administered entirely by the City and not as a district of the County's Stormwater Utility. Expenditures in this fund for fiscal year 2001 include the purchase and demolition of two repetitive loss properties funded through a hazard mitigation grant and several drainage improvement projects. As a result of programs funded in the Stormwater Utility, property owners benefit from reduced flood insurance premiums through the City's participation in the National Flood Insurance Programs Community Rating System (CRS). The City of North Miami has obtained a Class 5 rating under the CRS program, the highest rating obtained in the State of Florida.

RISK MANAGEMENT OPERATIONS

The City's General Liability and Workers' Compensation insurance programs are accounted for within the General Risk Management Internal Service Fund. This fund contains liability reserves, including Incurred But Not Reported (IBNR) and Allocated Loss Adjustment Expenses (ALAE) reserves, as required by the Governmental Accounting Standards Board's Statement No. 10. The various City departments are assessed a charge based upon requirements of the program. The City purchases commercial insurance coverage for law enforcement officers' and public officials' liability. The Workers' Compensation self-insurance program is administered by an outside party. Group health coverage became fully insured on January 1, 1998. Beginning in fiscal year 2000, funds remaining in the Health Insurance Trust Fund are

being used to pay the costs of employee health insurance premiums as approved by City Council.

PENSION TRUST AND AGENCY FUND OPERATIONS

The City of North Miami has two Defined Benefit Pension Plans. The Clair T. Singerman (CTS Plan) Employees' Retirement System covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters. The Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan) covers police officers hired after January 1, 1977. A separate Board of Trustees is responsible for the administration of each Plan. Two members of each Board are assigned as trustees as a result of their City positions, one member is designated by the City Manager, and the remainder is elected by the Plan membership.

During the year, the pension revenues for the CTS Plan were derived from employee contributions of \$1,068,307, actuarially determined City contributions of \$52,259, County contributions for firefighters who elected to remain in the CTS Plan of \$200,275, and "other" contributions of \$2,571. The Fund's net assets at September 30, 2001, amounted to \$55,156,401. During the year, the revenues for the 748 Plan were derived from employee contributions of \$368,023, actuarially determined City contributions of \$224,528, and "other" contributions of \$24,171. The Fund's net assets at September 30, 2001 amounted to \$21,681,802. Pursuant to Chapter 185, Florida Statutes, any insurance premium tax monies received in excess of \$147,584 (the 1997 threshold) are to be used to provide additional benefits for sworn police personnel. In 2001, these excess monies are reflected as "other" contributions and total \$2,571 and \$24,171 for the CTS and 748 pension plans respectively. On September 18, 1997, the City issued \$11,900,000 of 1997 Taxable Special Obligation Bonds for the purpose of discharging the unfunded actuarial liabilities of the CTS and 748 Plans as of October 1, 1997.

The City also offers two defined contribution pension plans. The North Miami Police Officers' Retirement Pension Fund Share Plan covers all City police officers and is funded through state insurance premium tax monies. The City of North Miami Department Managers' Pension Plan covers the City's department managers and is funded through City contributions consisting of 10% of a participant's compensation. These plans are not reported as funds of the City, but are disclosed in the notes to the financial statements as defined contribution pension plans.

The City also sponsors two deferred compensation plans, which qualify under Internal Revenue Code Section 457. The Plans, previously accounted for as an agency fund, are funded by employee contributions and administered by independent fiduciary agents. These plans do not meet the fiduciary criteria found in NCGA Statement No. 1 and, accordingly, in compliance with GASB Statement No. 32 are no longer reported on the City's balance sheet.

DEBT ADMINISTRATION

As of the end of the fiscal year, the City's net general obligation bonded debt was \$3,490,000 or 27% of net assessed value. The net direct general debt per capita equaled \$58 as of year-end.

During 2001, principal and interest installments were paid as scheduled. General obligation debt principal retired during the year amounted to \$220,000.

In August 2000, the City issued a promissory note (Series 2000A) in the principal amount of not to exceed \$9.5 million to finance the cost of environmental remediation at and closure of the City's Munisport landfill site. Under the loan agreement, the City will draw funds as needed and will pay interest on the outstanding principal. As of September 30, 2001, the City has received, pursuant to the Note, the sum of \$2 million. The loan will be repaid from the annual proceeds of the Miami-Dade County grant, with a secondary covenant to budget and appropriate non ad valorem revenues.

In 1997, the City issued approximately \$12 million in taxable Special Obligation Bonds for the purpose of

discharging the unfunded actuarial liabilities of the City's two defined benefit pension plans as of October 1, 1997, and to pay bond issuance costs. As a result of this action, the City realized a present value savings in funding its actuarial liabilities of approximately \$1,005,000. Debt service on these bonds is funded by non ad valorem funds budgeted and appropriated by the City on an annual basis.

CASH MANAGEMENT

The City maintains a pooled cash account for all funds excluding the Pension Trust funds. The cash management program involves a mix of maintaining principal and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment return through the solicitation of competitive rates from various investment sources. In 2001, the City formally adopted its written investment policy pursuant to Section 218.415, Florida Statutes.

The City has primarily invested in Certificates of Deposits (CD's) with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act". The average yields on maturing CD investments during the year ranged from 4.37% to 6.80%. The City's CD investing activities produced interest earnings for the year of \$560,827. The combined interest earnings from the City's Repurchase Agreement, Public Funds Checking Account, and from CD investments totaled \$1,117,285. Total interest earned from all sources, including assets held and managed by fiscal agents was \$1,169,968. The City's Defined Benefit Pension Plans and Defined Contribution Pension Plans manage their own funds, and are not included in the City's pooled cash system. The Pension Trust funds' investment portfolio also includes U.S. Government obligations, corporate stocks and bonds.

OTHER INFORMATION

Independent Audit: Florida Statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Rachlin Cohen & Holtz LLP audited the general purpose financial statements of the City for the fiscal year ended September 30, 2001. The opinion of the independent certified public accountants on the general purpose financial statements, and an in-relation to opinion on the combining, individual fund and account group statements and schedules, is included in the financial section of this report.

Certificate of Achievement Program: The Government Finance Officers Association (GFOA) awarded the City its twelfth consecutive Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2000. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2001, Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated services of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to express our appreciation to our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance.

The guidance and cooperation of the City Council in planning and conducting the financial affairs of the

organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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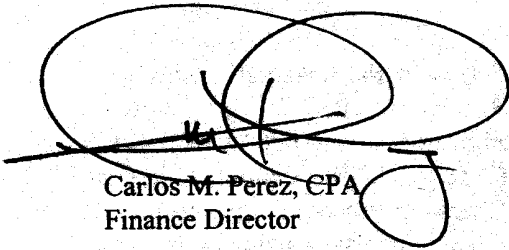
Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated services of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to express our appreciation to our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance.

The guidance and cooperation of the City Council in planning and conducting the financial affairs of the City of North Miami are gratefully appreciated.

Sincerely,



Lee R. Feldman
City Manager



Carlos M. Perez, CPA
Finance Director